

NORTHWESTERN ENERGY
RESIDENTIAL ELECTRIC RATES
AND ELECTRICITY SUPPLY
(THROUGH JUNE 2015)

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Introduction

The following graphs show the Residential Electric Rates, Electric Supply and selected Unit Prices of NorthWestern Energy (NorthWestern). This information is available in published tariffs and routine dockets at the Montana Public Service Commission (PSC).

Since 1998, customers purchasing electricity services from NorthWestern or its predecessor have paid three primary electric rates:

- (1) Distribution Delivery Service (**Distribution**) rate
- (2) Transmission Delivery Service (**Transmission**) rate
- (3) Electric Supply Rates.

Whereas the Transmission and Distribution rates pay for the wires and poles that transmit electricity, the Electric Supply Rates pay for the electricity (**supply**) itself.

NorthWestern has contracts for supply with PPL Montana, LLC, now Talen Montana, LLC (**PPL**), which owns coal-fired power plants, and Invenergy, LLC, which owns a 135-megawatt (MW) wind farm (**Judith Gap**) in Wheatland County.

Under federal law, NorthWestern is required to offer to purchase supply made available from “qualifying facilities,” which include cogeneration or renewable plants no larger than 80 MW that are owned by someone not otherwise generating or selling electricity. NorthWestern purchases supply from QFs under contracts that it has signed

since 2006 (**QF-1**), as well as contracts that the Montana Power Company signed between 1984 and 1996 (**QF II**).¹ As the provider of electric transmission and distribution in Montana, NorthWestern began acquiring and adding power plants to its “rate base” in 2009, starting with its 222-MW share of the Colstrip Generating Station in Rosebud County (**Colstrip**).

Since 2011, NorthWestern has owned and operated the Dave Gates Generating Station at Mill Creek (**Dave Gates**) in Deer Lodge County, which provides the “reserve capacity necessary to maintain transmission system reliability and balance on a moment to moment basis as customer demand and available resources fluctuate.”² NorthWestern uses a portion of this capacity to balance the hourly fluctuations of Judith Gap, Spion Kop and some QF-1 resources.

In late 2012, NorthWestern acquired a new 40-MW wind farm in Judith Basin County (**Spion Kop**). Two years later, in November 2014, it purchased eleven hydroelectric facilities from PPL (**Hydros**).

The Electric Supply Rates also include market purchases and other costs, including carrying, administrative and transmission costs; a discount for some retired NorthWestern employees; and an adjustment to ensure “that the percentage rate increase for each customer class is no greater than the residential customer rate class increase” (**Market & Other**).³

At the time of deregulation, the Montana Legislature mandated a Universal System Benefits (**USB**) charge, which annually collects 2.4% of NorthWestern's 1995 retail sales revenue, in part “to ensure continued funding of and new expenditures for energy conservation.”⁴ Since 2004, NorthWestern has implemented additional demand-side management (**DSM**), which is funded through the Electric Supply Rates and screened for cost-effectiveness.

The PSC has approved fixed, volumetric rates that enable NorthWestern to earn a reasonable profit on its capital investments.⁵ Successful USB and DSM efforts reduce the volume of electricity sold, which could in turn reduce profits, except that the PSC historically allowed NorthWestern to collect revenues that it would have otherwise lost as a result of these efficiency efforts (**Lost Revenues**).

The budget of the PSC and Montana Consumer Counsel are set by the Montana Legislature, but these funds are collected through Electric Supply Rates (**MCC & PSC Funding**). The Bonneville Power Administration's residential exchange credit (**BPA Credit**) shares the benefits of low-cost federal hydropower with NorthWestern customers. As the marketing agency for electricity generated at federally-owned dams on the Columbia River, BPA provided inexpensive supply to the region until the 1970s, when increasing demand forced it to not renew contracts with certain utilities. “In order to avoid an energy crisis and to redress BPA's diminishing ability to satisfy the region's power demands,” Congress created the BPA Credit to spread the benefits regionally.⁶

The deferred supply rate (**Deferred Rate**) corrects for over- or under-collections of certain supply costs, and may therefore be positive or negative.

¹ NorthWestern collects QF II costs through the Electric Supply Rates and a separate rate; these rates are combined on the graphs.

² NorthWestern Bill Insert p. 1 (Jan. 2011).

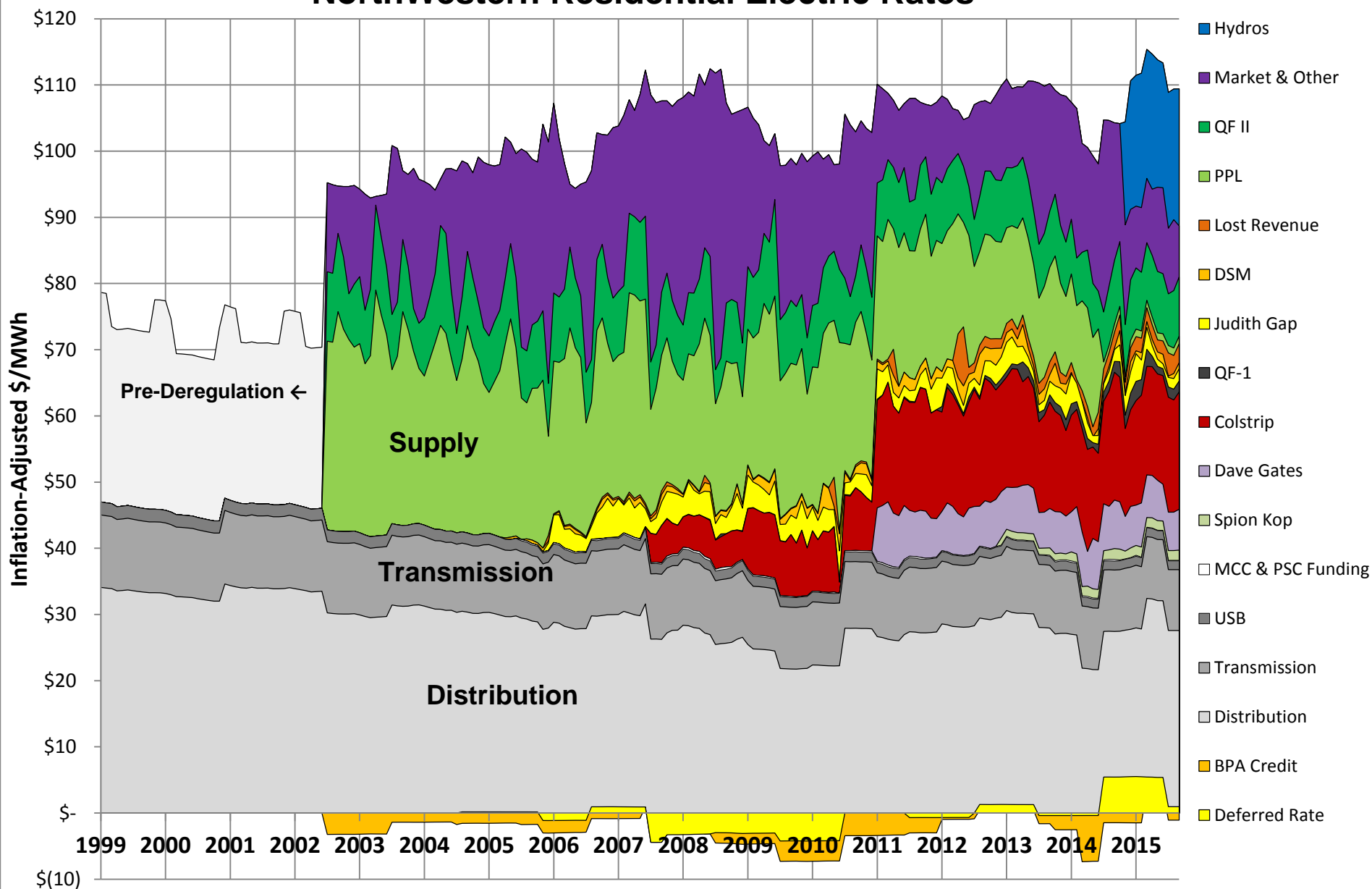
³ Test. Cheryl A. Hansen, Dkt. D2013.5.33, pp. 11-12 (May 31, 2013).

⁴ Mont. Code Ann. § 69-8-402 (2015).

⁵ NorthWestern earns profit through the Transmission, Distribution, Colstrip Unit 4 fixed, Dave Gates fixed, Spion Kop fixed, and Hydro fixed rates.

⁶ *Portland Gen. Elec. Co. v. BPA*, 501 F.3d 1009, 1014 (9th Cir. 2007).

NorthWestern Residential Electric Rates*

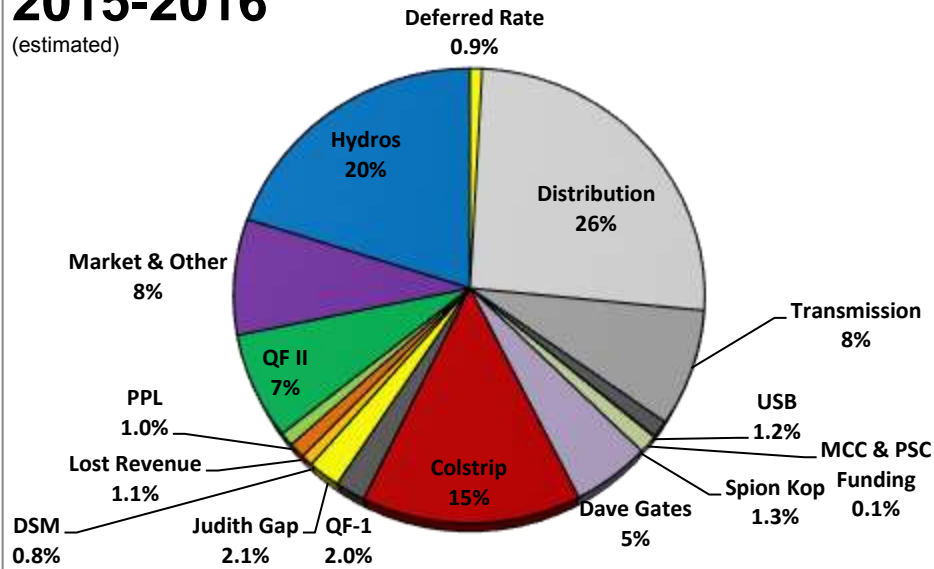


* Residential Electric Rates are charged in addition to a flat charge of \$5.25 per month

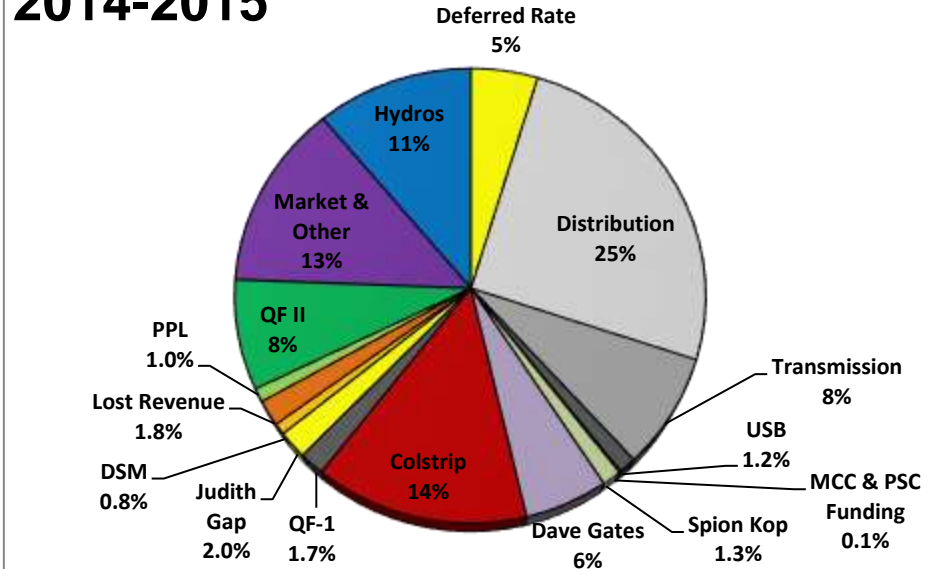
NorthWestern Residential Electric Rates

2015-2016

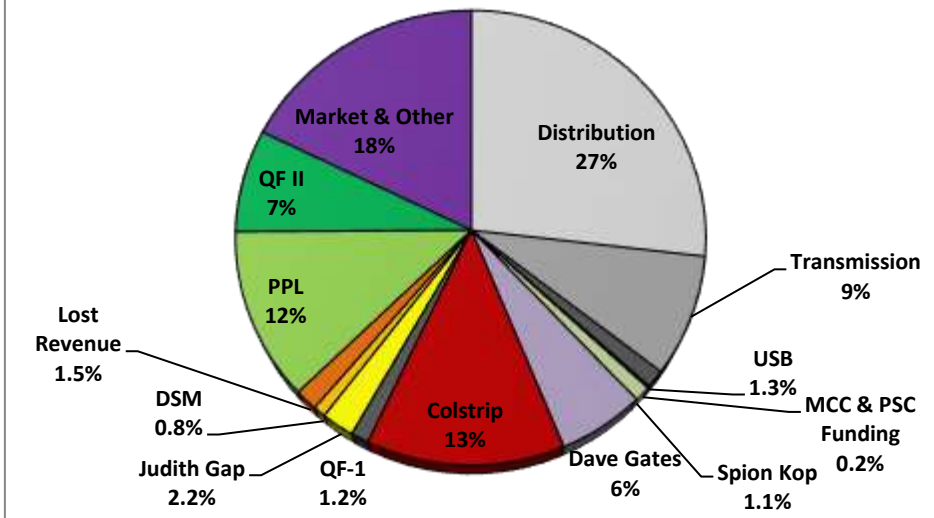
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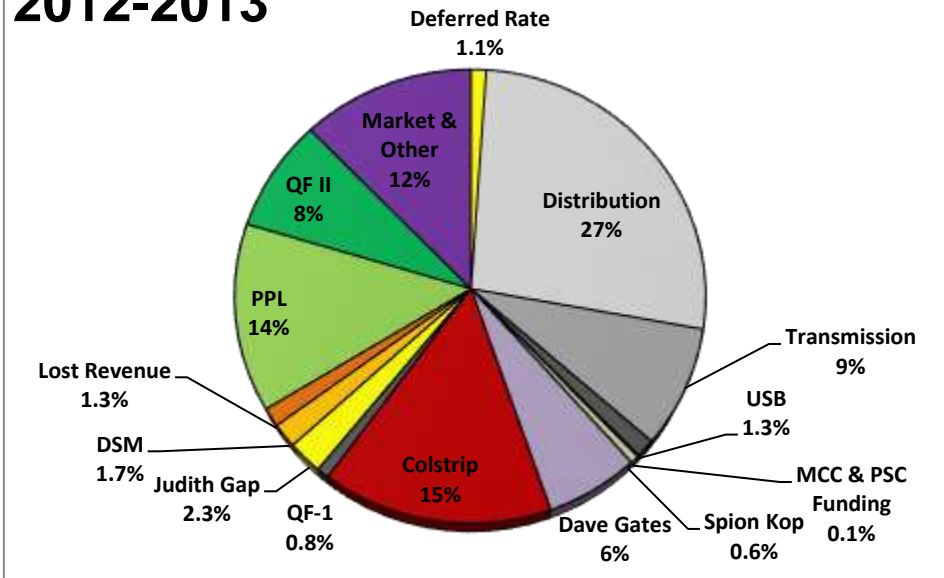
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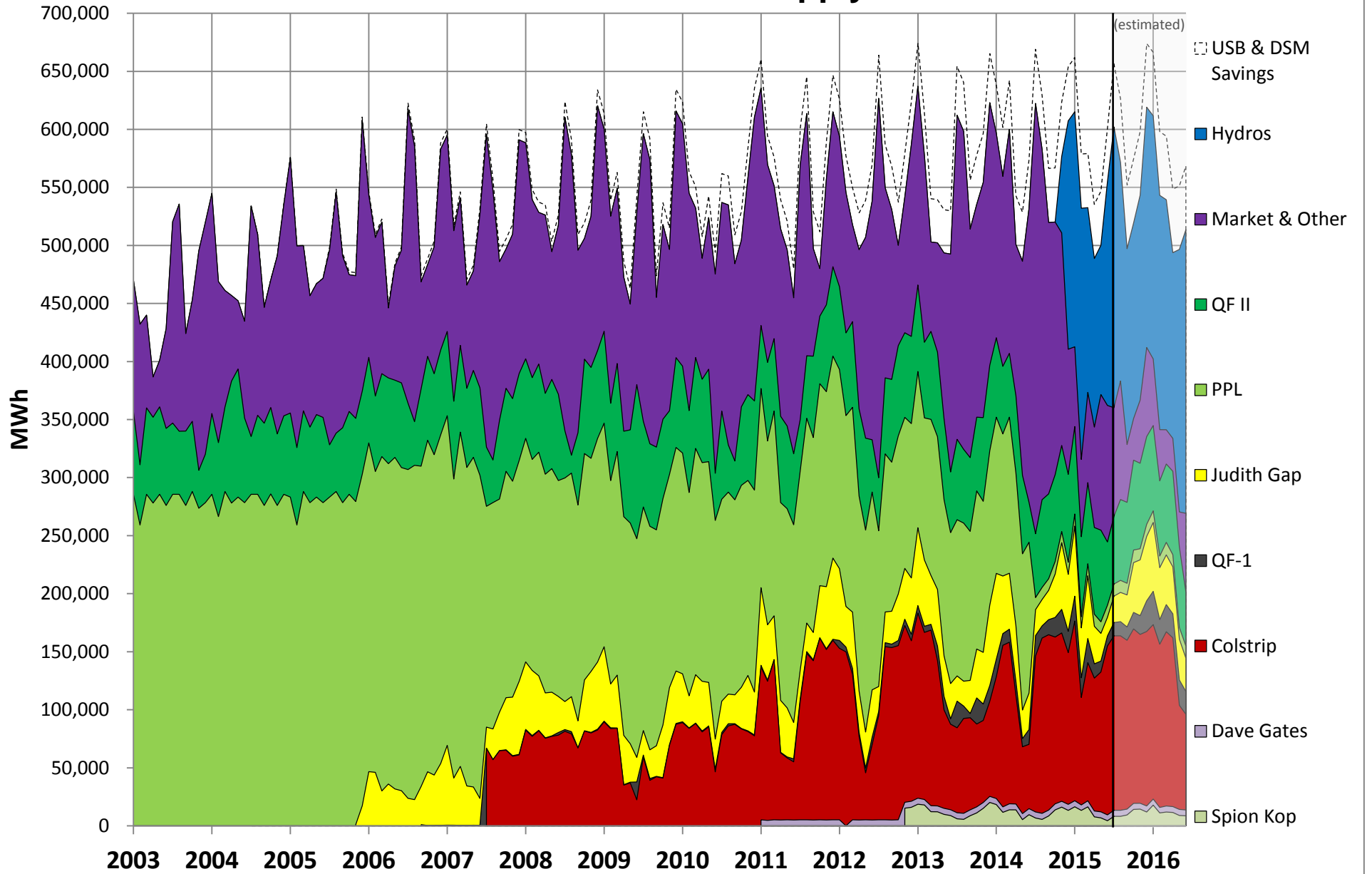
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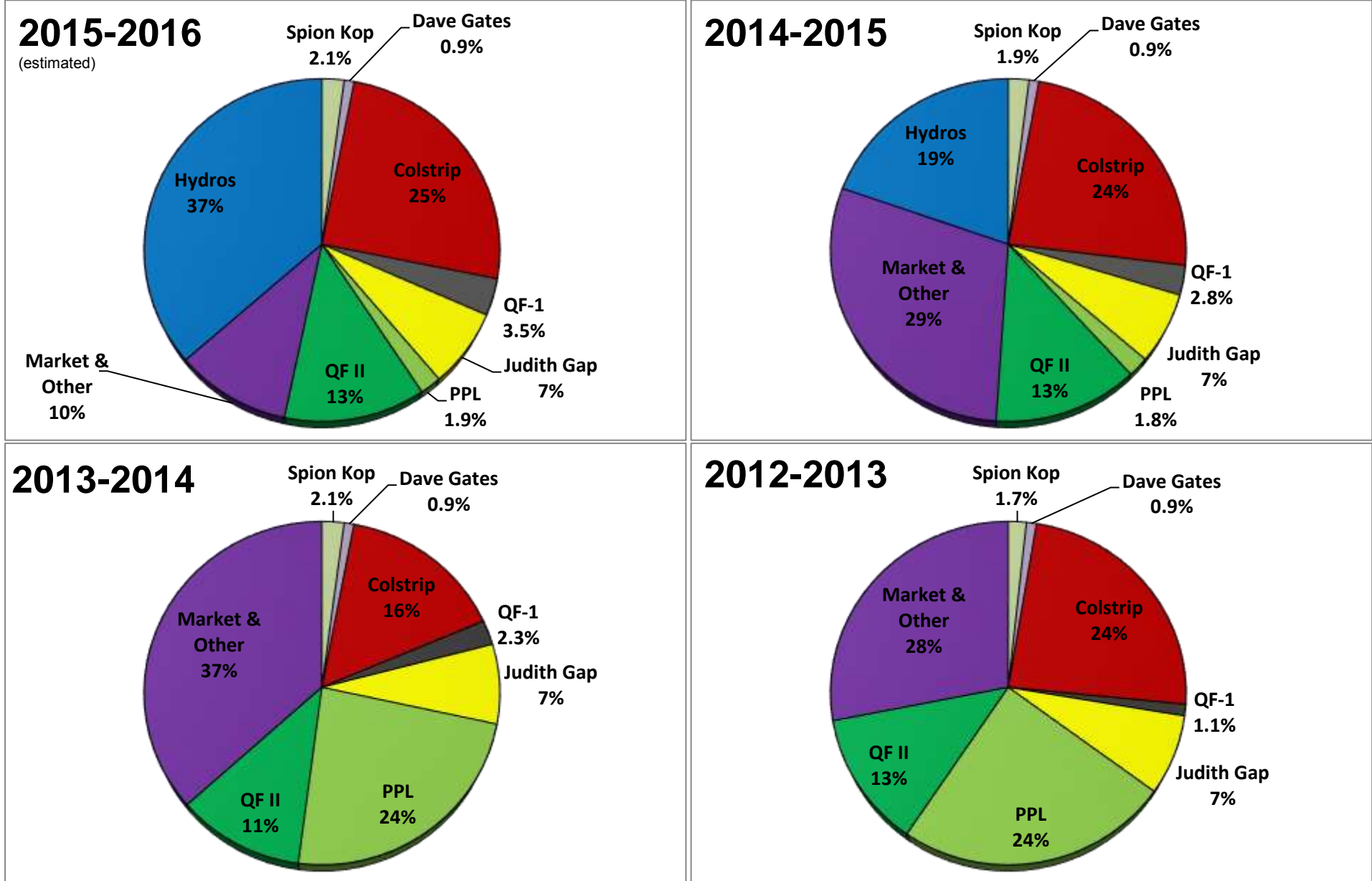
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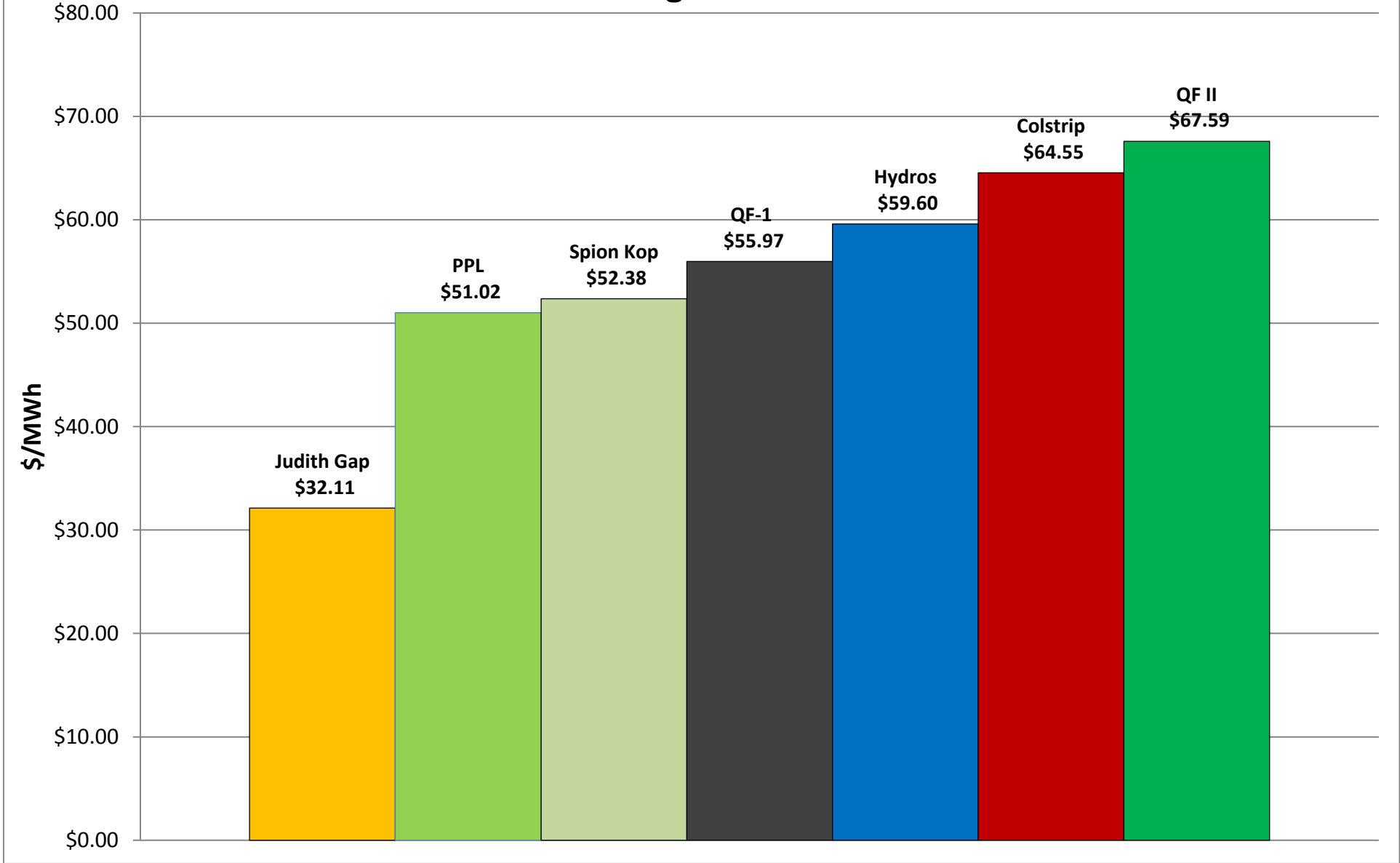
NorthWestern Electric Supply

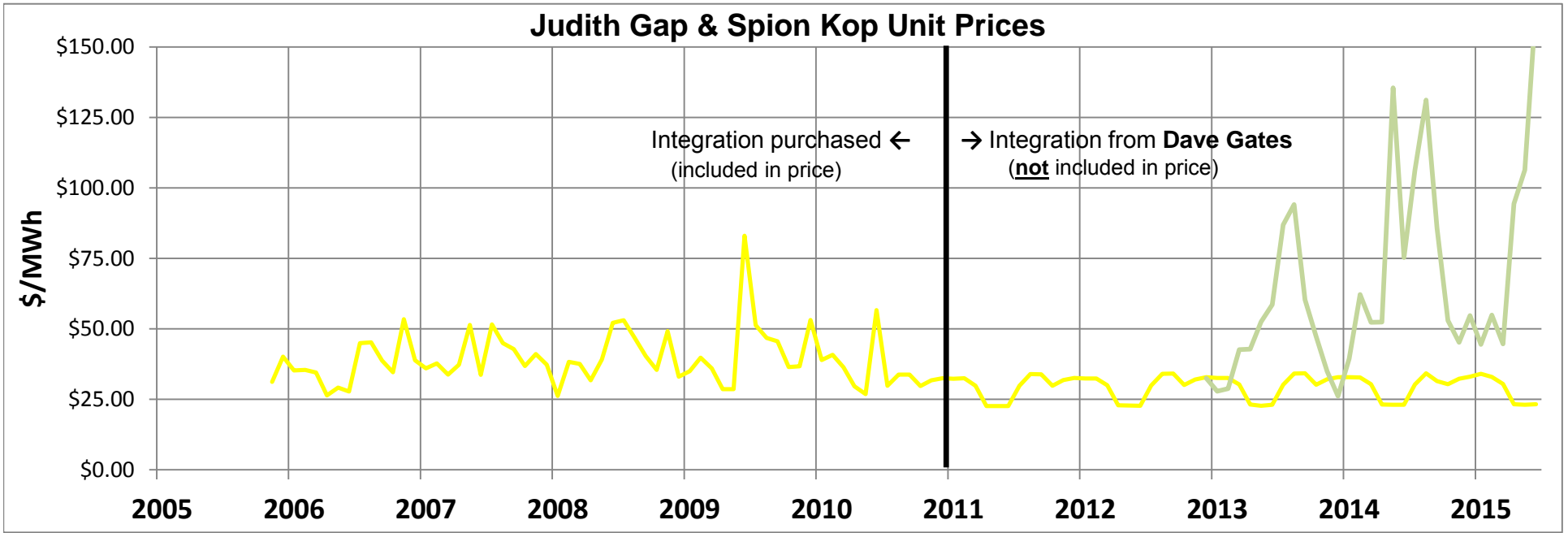
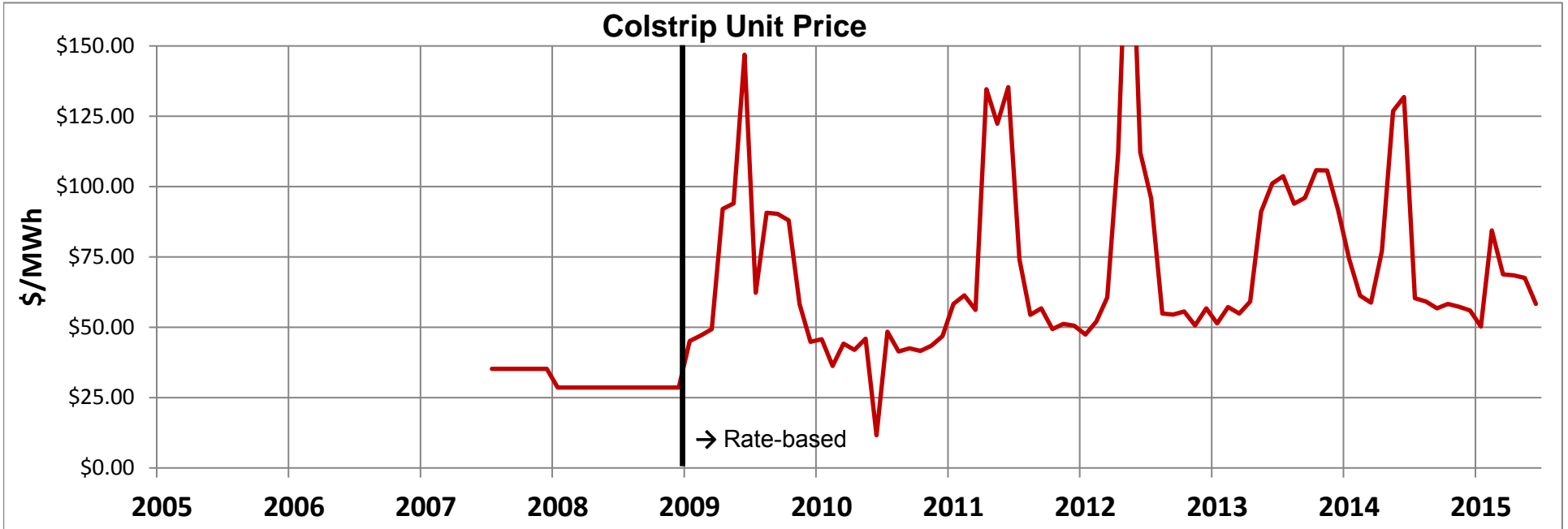


NorthWestern Electric Supply

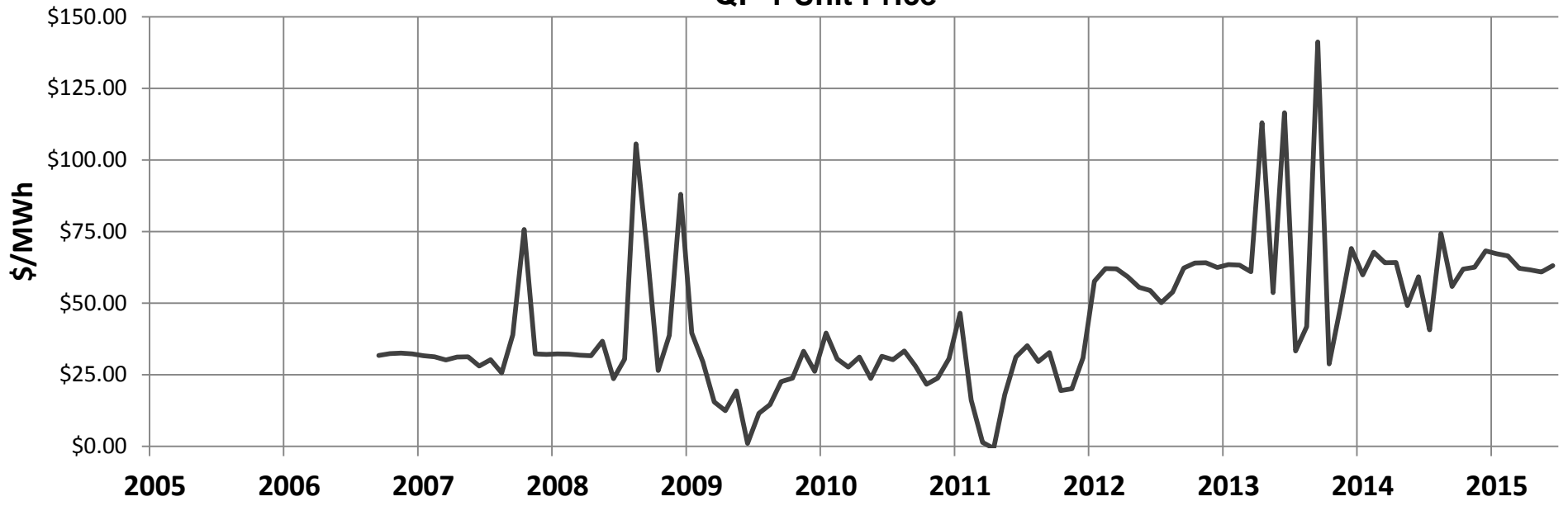


Selected NorthWestern Electric Supply Unit Prices 2009 through June 2015





QF-1 Unit Price



QF II Unit Price

